

Message Text

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44

ACTION EA-14

INFO OCT-01 ISO-00 NSCE-00 FEA-02 INT-08 COME-00 CIAE-00

DODE-00 PM-07 H-03 INR-11 L-03 NSAE-00 NSC-07 PA-04

RSC-01 PRS-01 SP-03 SS-20 USIA-15 AID-20 EB-11

CIEP-03 TRSE-00 STR-08 OMB-01 CEA-02 SAJ-01 NIC-01

NEA-14 FRB-03 XMB-07 OPIC-12 LAB-06 SIL-01 SCI-06

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 7243

AMCONSUL HONG KONG

USLO PEKING

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E.O. 11652: N/A

TAGS: ECON, ENRG, CH, RP

SUBJECT: RP/PRC TRADE AGREEMENT PROMISES OIL FOR THE LAMPS OF
THE PHILIPPINES

SUMMARY: THE EXCHANGE OF LETTERS ON TRADE BETWEEN THE
PHILIPPINES AND THE PEOPLES REPUBLIC OF CHINA ON
SEPTEMBER 23 IN PEKING HAS BEEN A PERSISTENT SUBJECT IN
THE PRESS DURING MRS. MARCOS'S VISIT TO CHINA. THE
PRINCIPAL THEME HAS BEEN THE WILLINGNESS OF CHINA TO SELL
OIL TO THE PHILIPPINES WHICH THE PRESS HAS PUBLICLY
WELCOMED AS DECREASING THE PHILIPPINE HEAVY DEPENDENCE
ON MIDDLE EAST SOURCES. OIL INDUSTRY REPS WERE TOLD BY
PNOC CHAIRMAN VELASCO SEPT 30 TO PLAN FOR IMPORTS OF
CHINESE CRUDE OIL FOR THE INDEFINITE FUTURE AT A ROUGH
RATE OF 15,000 BBL/DAY. PUBLICITY REGARDING THE
IMPLEMENTATION OF THE AGREEMENT HAS BEEN LONG ON
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RHETORIC BUT SHORT ON FACTS, EXCEPT FOR BACKGROUND

FEATURES ON CHINESE INDUSTRY. END SUMMARY

1. THE GOP AND THE PRESS HAVE GIVEN CONSIDERABLE PUBLICITY TO THE EXCHANGE OF LETTERS IN PEKING ON SEPTEMBER 23 UNDER WHICH CHINA PLEDGED TO SUPPLY "CONSIDERABLE QUANTITIES OF CRUDE OIL" STARTING NEXT YEAR, AND EXPRESSED ITS READINESS TO PURCHASE MAJOR PHILIPPINE EXPORTS SUCH AS LUMBER, COCONUT PRODUCTS, SUGAR, COPPER ORE AND MINERALS. IN ITS LETTER, THE PRC PROPOSED THAT THE PHILIPPINES SEND AN ECONOMIC MISSION TO PEKING TO WORK OUT THE DETAILS SUCH AS QUANTITIES, SCHEDULE, ETCM THE EXCHANGE OF LETTERS WAS SIGNED BY INDUSTRY SECRETARY VICENTE PATERNO AND MINISTER OF FOREIGN TRADE LI CHANG. REPORTS FOLLOWING RETURN OF FIRST LADY'S PARTY ARE THAT EXCHANGE IS NO MORE SPECIFIC THAN FOREGOING.

2. THE RP-CHINA TRADE AGREEMENT WAS PERSONALLY BROUGHT BACK TO MANILA BY LEYTE GOVERNOR BENJAMIN ROMUALDEZ WHO PRESENTED IT IN A WELL-PUBLICIZED CEREMONY TO PRESIDENT MARCOS. THE PRESIDENT THEN ISSUED A DIRECTIVE TO THE FOREIGN OFFICE AND NEDA TO ORGANIZE THE ECONOMIC MISSION, AND TO THE DEPARTMENTS OF TRADE, INDUSTRY AND AGRICULTURE AND THE BOARD OF INVESTMENTS TO ASSIST IN CREATING THE NECESSARY COMMITTEES OR MECHANISMS FOR IMPLEMENTATION OF THE TRADE AGREEMENT. THESE STEPS WERE REPORTED IN THE MANNER RELEASED BY THE PHILIPPINE NEWS AGENCY, THAT IS THE PRESIDENT'S OFFICE, BUT THE HOPES AND ASPIRATIONS OF THE FILIPINOS WERE REFLECTED IN THE DIVERSE HEADLINES ON THE SUBJECT. BULLETIN TODAY LED OFF WITH THE HEADLINE, "FIRST CHINA OIL SHIPMENT DUE"; THE TIMES JOURNAL USED A SENSATIONAL AND INACCURATE HEADLINE, "CHINA TRADE OFFICES ARE SET UP HERE" MEANING PHILIPPINE GOVERNMENT OFFICESV WHILE THE DAILY EXPRESS PLAYED IT STRAIGHT, VIZ, "IMPLEMENTATION OF RP-CHINA TRADE AGREEMENT RUSHED".

3. SUBSEQUENTLYN PRESIDENT MARCOS CONVENED AND PRESIDED OVER A NEDA MEETING TO WORK OUT THE MECHANICS OF PROMOTING PHILIPPINE-CHINESE TRADE UNDER THE AGREEMENT. NEDA WILL BE IN CHARGE OF IMPLEMENTATION OF THE AGREEMENT.
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4. ARRANGEMENTS FOR CHINESE OIL INITIALLY WERE MADE SOMETIME AGO WITH EXPECTATION THAT THE OFFICIAL ANNOUNCEMENT WOULD BE MADE DURING MRS. MARCOS'S VISIT TO PEKING. WHILE EARLIER REPORTS INDICATED A TOTAL PURCHASE OF 250,000 TONS AT A DAILY RATE OF 15,000 BARRELS, PNOC CHAIRMAN VELASCO TOLD INDUSTRY REPS SEPT 30 THAT DAILY IMPORTS AT THIS RATE WOULD RUN AT LEAST THROUGH 1975. IT IS

EVIDENT THAT THE GOP FEELS STRONGLY CONSTRICTED BY ITS
OVERWHELMING DEPENDENCE (95 PERCENT) ON MIDDLE EAST OIL
AND IS NOT OVERLY CONCERNED BY SHIFTING PART OF THE SOURCING
TO CHINA WHICH DOES SHARE SIMILAR VIEWS WITH THE ARABS
ON A NUMBER OF ISSUES. THE WAXY, LOW SULPHUR CRUDE
INVOLVED (SHENGLI) IS BEST FOR DIRECT USE AS BUNKER FUEL.
IN ANY CASE, THE PHILIPPINES WELCOME THE OPPORTUNITY TO
EXPORT MORE TO CHINA, PARTICULARLY SINCE INCIPIENT DECLINE
IN EXPORT DEMAND AND PRICES FOR ITS PRODUCTS HAVE BECOME
MORE NOTICEABLE IN THE LAST SEVERAL MONTHS. EMBASSY WILL
REPORT FURTHER INFORMATION WHEN DEVELOPED.
SULLIVAN

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